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Cost of construction materials remains 37% higher than pre-pandemic according to latest ABC analysis

By Niall Patrick Walsh Feb 21, '23 11:18 AM EST

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The [price of construction materials](#) rose 1.3% in January 2023 alone, according to [new data](#) by Associated Builders and Contractors. In addition to being 1.3% higher than December 2022 figures, the prices are also 4.9% higher than this time last year, the smallest annual increase since January 2021.

According to ABC's analysis, derived from data from the U.S. Bureau of Labor Statistics, the annual increase has been driven by the cost of adhesives and sealants (up 13.4% annually), brick and structural clay tiles (up 12.9% annually), concrete products (up 14.8% annually) and gypsum products (up 10.7% annually).

Commodities that have seen the largest price decrease over the past 12 months include iron and steel (down 23% annually), lumber and wood products (down 12.3% annually), and softwood lumber (down 44.1% annually).

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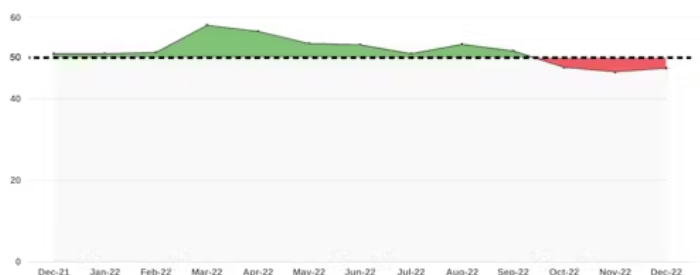
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“Recent employment and retail sales reports indicate that the [economy](#) is not slowing nearly as quickly as predicted,” said ABC Chief Economist Anirban Basu in reaction to the latest figures. “That is the good news. The bad news is that the economy remains overheated, a phenomenon neatly reflected in the January PPI data, which indicated that construction input price gains accelerated on a monthly basis. For instance, construction machinery and equipment prices expanded 3.4% in January and are up more than 12% during the past year.”

Despite the uneven landscape of price increases and decreases across the last 12 months, ABC’s analysis exposes the long-term impact of the [pandemic](#) on material costs in construction. All construction types and materials remain significantly more expensive than they were in February 2020, with the overall cost of construction 37.7% higher now than at the start of the pandemic.

Architecture Billings Index, December 2022

Data courtesy of the American Institute of Architects, December 2021–December 2022.



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Some of the most notable material price increases compared to February 2020 include brick and clay tiles (up 25.5%), concrete products (up 27.9%), iron and steel (up 55.9%), and lumber and wood products (up 28.7%). The single largest construction commodity increase is natural gas (up 219.4%) while the smallest increase is softwood lumber (up 17%).

“Ironically, it is the current strength of the economy that makes a [recession](#) more likely sometime during the next 12 months,” Basu added. “At some point, higher interest rates will meaningfully affect economic activity. With industry backlog high, according to ABC’s Construction Backlog Indicator, many nonresidential contractors will feel little to no effect from higher interest

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rates in 2023. But in certain construction segments and locations, these dynamics could make the next two years more challenging.”

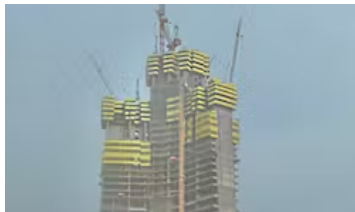
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